

CACHE VALLEY TRANSIT DISTRICT  
FINANCIAL STATEMENTS .

December 31, 2010

**CACHE VALLEY TRANSIT DISTRICT**  
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## FINANCIAL SECTION



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Cache Valley Transit District  
Logan, UT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cache Valley Transit District (the District) as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 07, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the District. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JONES SIMKINS, P.C.  
Logan, Utah  
April 07, 2011

# **CACHE VALLEY TRANSIT DISTRICT**

## **Management's Discussion and Analysis**

December 31, 2010

As management of the Cache Valley Transit District (the District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2010.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's government-wide financial statements are combined with the fund financial statements in one form. Significant differences between the government-wide financial statements and the fund financial statements are identified in Note 2 to the financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses could be reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

### **Fund Financial Statements**

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and governmental activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16,054,508 at the close of the most recent fiscal year, which is an increase of \$4,670,085 over the prior year.

**CACHE VALLEY TRANSIT DISTRICT**  
**Management's Discussion and Analysis**  
December 31, 2010

**Cache Valley Transit District's Net Assets**

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,599,468	2,568,097
Capital assets, net	<u>13,956,095</u>	<u>9,204,244</u>
Total assets	<u>17,555,563</u>	<u>11,772,341</u>
Current liabilities	1,434,055	339,918
Long-term liabilities	<u>67,000</u>	<u>48,000</u>
Total liabilities	<u>1,501,055</u>	<u>387,918</u>
Net assets:		
Invested in capital assets, net of related debt	13,956,095	9,204,244
Restricted	-	-
Unrestricted	<u>2,098,413</u>	<u>2,180,179</u>
Total net assets	\$ <u>16,054,508</u>	<u>11,384,423</u>

**Cache Valley Transit District's Changes in Net Assets**

	<u>2010</u>	<u>2009</u>
Revenues:		
Sales tax	\$ 3,130,677	3,093,117
Federal and state grants	6,446,703	2,031,283
Charges for services	122,866	127,626
Other revenue	<u>49,560</u>	<u>20,892</u>
Total revenue	<u>9,749,806</u>	<u>5,272,918</u>
Expenses:		
Transit operations	<u>5,079,721</u>	<u>4,749,616</u>
Total expenses	<u>5,079,721</u>	<u>4,749,616</u>
Increase in net assets	4,670,085	523,302
Net assets, January 1	<u>11,384,423</u>	<u>10,861,121</u>
Net assets, December 31	\$ <u>16,054,508</u>	<u>11,384,423</u>

The change in capital assets relates primarily to the purchase of five (5) new large buses, two (2) paratransit buses and land, net of depreciation expense during the year. The purchase of these assets was primarily funded by federal grants, including a \$1,059,000 federal grant passed through the State of Utah for the purchase of 3 buses. The buses were received during the fiscal year. However, the grant amount was not received until after year-end and the payable for the buses was paid after year-end, resulting in the higher amount of current assets and current liabilities.

Sales tax revenue increased slightly compared to the prior year. Federal and state grants increased because of the capital outlay activities described in the previous paragraph, which were primarily financed by grants. Other revenues increased because Utah Local Government Trust, our insurance agent provided a one-time dividend to its members and provided a safety grant to the District.



**CACHE VALLEY TRANSIT DISTRICT**  
**Management's Discussion and Analysis**  
December 31, 2010

Operational expenses increased mostly because of two issues: first, fuel prices were significantly higher than the prior year, and second, the District had been planning significant increases in its operational contract with First Transit for transit services. However, the District cancelled the contract with First Transit during 2009 and converted the planned increase into in-house management and operations of the transit services, resulting in an overall savings to the District.

Capital outlay expenses were significantly higher than the prior year due to the purchase of capital assets described previously.

**General Fund Budgetary Highlights**

The District's significant budget variances related to: 1) sales tax revenues were higher than budgeted because the recovery of the economy was better than the District projected, 2) grant revenue was less than budgeted because the District's overall expenses, which include the costs eligible for grant reimbursement, were lower than expected, 3) fuel costs were less than projected, 4) the District spent less on parts and preventative maintenance supplies than budgeted while still ensuring that the buses were properly maintained.

During the year, the Board of the District did not increase or decrease overall budgeted revenues or expenditures. However, the Board did authorize a \$20,000 decrease to the operations budget and an equal increase to the capital outlay budget for unexpected higher costs related to the purchase of buses.

**Capital Asset and Debt Administration**

The District acquired capital assets with a cost of \$5,576,621. These assets were acquired with federal grants, which provided funding for 80% or 100% of the cost of the asset. The District purchased five new large buses, two smaller buses for paratransit operations, land for future expansion. In addition, the District replaced the bus wash system.

There is no long-term debt. The only long-term liabilities relate to compensated absences.

**Other Significant Events**

The District has been awarded federal funding for an additional large bus purchase with the bus scheduled to be delivered in the fall of 2011. The federal grant is for 80% of the cost of the bus.

**Requests for information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Administration Director, 754 West 600 North, Logan, Utah 84321.



## BASIC FINANCIAL STATEMENTS

**CACHE VALLEY TRANSIT DISTRICT**  
**Governmental Funds Balance Sheet / Statement of Net Assets**  
December 31, 2010

	General Fund	Adjustments (Note 2)	Statement of Net Assets
<u>Assets</u>			
Cash and cash equivalents	\$ 1,698,520	-	1,698,520
Due from other governments	1,782,942	-	1,782,942
Prepayments	68,006	-	68,006
Inventories	50,000	-	50,000
Capital assets, net of accumulated depreciation	-	13,956,095	13,956,095
Total assets	\$ <u>3,599,468</u>	<u>13,956,095</u>	<u>17,555,563</u>
<u>Liabilities</u>			
Accounts payable	\$ 1,269,190	-	1,269,190
Accrued expenses	94,865	-	94,865
Long-term liabilities:			
Due within one year	-	70,000	70,000
Due after one year	-	67,000	67,000
Total liabilities	\$ <u>1,364,055</u>	<u>137,000</u>	<u>1,501,055</u>
<u>Fund Balances / Net Assets</u>			
Fund balances:			
Nonspendable - Inventory/Prepayments	\$ 118,006	(118,006)	-
Assigned	1,500,000	(1,500,000)	-
Unassigned	617,407	(617,407)	-
Total fund balances	<u>2,235,413</u>	<u>(2,235,413)</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>3,599,468</u>		
Net assets:			
Invested in capital assets, net of related debt	\$	13,956,095	13,956,095
Restricted		-	-
Unrestricted		2,098,413	2,098,413
Total net assets	\$	<u>16,054,508</u>	<u>16,054,508</u>

The accompanying notes are an integral part of these financial statements

**CACHE VALLEY TRANSIT DISTRICT**  
**Statement of Governmental Funds Revenues, Expenditures, and**  
**Changes in Fund Balance / Statement of Activities**  
For the Year Ended December 31, 2010

	General Fund	Adjustments (Note 2)	Statement of Net Assets
Revenues:			
Taxes	\$ 3,130,677	-	3,130,677
Federal and state grants	6,446,703	-	6,446,703
Charges for services	122,866	-	122,866
Investment earnings	9,057	-	9,057
Miscellaneous	40,503	-	40,503
Total revenues	<u>9,749,806</u>	<u>-</u>	<u>9,749,806</u>
Expenditures / expenses:			
Current:			
Operations	3,490,758	46,000	3,536,758
Preventative maintenance	555,410	7,000	562,410
Facilities maintenance	154,783	1,000	155,783
Depreciation	-	824,770	824,770
Capital outlay	5,576,621	(5,576,621)	-
Debt service:			
Interest	-	-	-
Total expenditures / expenses	<u>9,777,572</u>	<u>(4,697,851)</u>	<u>5,079,721</u>
Change in fund balances / net assets	(27,766)	4,697,851	4,670,085
Fund balances / net assets:			
Beginning of the year	<u>2,263,179</u>	<u>9,121,244</u>	<u>11,384,423</u>
End of the year	<u>\$ 2,235,413</u>	<u>13,819,095</u>	<u>16,054,508</u>

The accompanying notes are an integral part of these financial statements

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Cache Valley Transit District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

*Reporting Entity*

The Cache Valley Transit District (the District) was incorporated on November 21, 2000, under authority of Section 17B-2-215 of the Utah Code Annotated, as amended, for the purpose of providing a public mass transportation system for Cache Valley communities. The District's operations include bus service and paratransit service for the transit disabled. In February 2007, the District and the City of Logan finalized an agreement to annex the City of Logan into the District. Previously, the City of Logan operated its own transit service. In November 2007, the City of Lewiston voted to be annexed into the District.

The District is governed by a Board of Trustees, which is the legislative body of the District and determines all questions of District policy. Each municipality participating in the District appoints a member to the Board of Trustees. The District is not considered to be controlled or fiscally dependent on any other entity and therefore is not a component unit of another entity. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by, or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the governing board.

*Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District. These statements have been combined with the fund financial statements because the District is a single-purpose government with minimal adjustments between the fund financial statements and the government-wide financial statements. The District's single purpose is classified as a governmental activity. Governmental activities are usually financed through taxes, intergovernmental revenues and other non-exchange revenues.

The District's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. The District currently has no restricted net assets.

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Additionally, long-term assets and long-term liabilities are recognized in the Statement of Net Assets.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenue considered to be susceptible to accrual is sales tax, government grants and certain contract revenues. The District's policy is to generally first apply restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The District currently only uses a general fund.

*Sales Tax Revenues*

As approved by the voters in serviced communities, a sales tax is collected in these communities to provide the District with operating revenues for mass transit purposes. Sales tax revenues are accrued for the month in which the sales take place.

*Cash and Cash Equivalents*

Cash equivalents include amounts invested in the Utah Public Treasurers' Investment Fund.

*Due From Other Governments*

Due from other governments consists of amounts due to the District from sales tax collections, grant agreements and contractual services provided to other governmental entities. Management does not believe any credit risk exists related to these receivables.

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

*Inventory*

The inventory shown in the General Fund consists of parts supplies and is recorded at cost using the first-in/first-out method.

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are valued at their fair market value or their estimated fair value on the date donated.

Depreciation has been calculated on each class of depreciable capital assets using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	10-50	Years
Equipment	3-20	Years
Vehicles	5-15	Years

*Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; environmental matters; damage to property and injuries to passengers and other individuals resulting from accidents and errors and omissions.

Under the Utah Governmental Immunity Act, the maximum statutory liability in any one accident is limited to \$1,000,000. The District has purchased third-party insurance to reduce the potential of loss due to accident or error. There has been no significant reduction in insurance coverage or settlements in excess of insurance coverage for the last three years.

*Compensated Absences*

The District's policies regarding compensated absences permit employees to accumulate earned but unused leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends and is reported with accrued expenses in the government-wide statements.

*Fund Equity*

Governmental accounting standards require fund balance to be separated into the following categories, with the applicable definition:

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 1 - Summary of Significant Accounting Policies (continued)

**Nonspendable** - amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact;

**Restricted** - amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation;

**Committed** - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, used first for unrestricted expenditures;

**Assigned** - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (for the District, this authority has been delegated to the Audit Committee by Board resolution), used after committed funds are exhausted for unrestricted expenditures;

**Unassigned** - amounts that are available for any purpose.

In general, the District strives to maintain at least \$600,000 in unassigned fund balance to ensure adequate cash funds for on-going operating costs.

*Accounting Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

*Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets*

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the fund balance sheet. Capital assets are, however, reported in the government-wide statement of net assets. Capital assets balances were as follows:

Cost of capital assets	\$ 16,667,069
Accumulated depreciation	<u>(2,710,974)</u>
Net capital assets	\$ <u>13,956,095</u>

Because the focus of governmental funds is on short-term financing, certain liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Compensated absences liability of \$137,000 was the only liability meeting this criterion.



**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 2 – Reconciliation of Government-wide and Fund Financial Statements (continued)

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities*

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for these assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year. In addition, the contribution of capital assets is a nonfinancial resource and, therefore, is only reported in the Statement of Activities.

Capital outlay	\$ 5,576,621
Depreciation expense	<u>(824,770)</u>
Difference	\$ <u>4,751,851</u>

Some expenses reported in the statement of activities do not require the use of current financial resources (compensated absences of \$54,000) and therefore are not reported as expenditures in governmental funds.

Note 3 - Cash and Cash Equivalents

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The State of Utah Money Management Council has the responsibility to review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

At December 31, 2010, the District's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Cash and cash equivalents:				
Demand deposits	\$ 142,743	-	-	142,743
Public Treasurer's Investment Pool	<u>-</u>	<u>1,555,777</u>	<u>-</u>	<u>1,555,777</u>
Total cash and cash equivalents	\$ <u>142,743</u>	<u>1,555,777</u>	<u>-</u>	<u>1,698,520</u>

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 3 - Deposits and Investments (continued)

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District's policy is to comply with State law which requires the District to only maintain deposits with financial institutions approved by the State Money Management Council. At December 31, 2010, the District's bank balances of \$150,555 were insured.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 3 - Deposits and Investments (continued)

As of December 31, 2010, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all District investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At December 31, 2010, all investments held by the District are in the PTIF which is unrated.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk is to use the PTIF whenever possible. As of December 31, 2010, all of the District's investments were in the PTIF.

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 4 - Capital Assets

All capital assets relate to governmental activities. Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31</u>
Capital assets not being depreciated:				
Land	\$ <u>1,175,830</u>	<u>2,967,300</u>	<u>-</u>	<u>4,143,130</u>
Total capital assets not being depreciated	<u>1,175,830</u>	<u>2,967,300</u>	<u>-</u>	<u>4,143,130</u>
Capital assets being depreciated:				
Buildings and improvements	4,204,970	34,320	-	4,239,290
Equipment	463,987	198,630	(60,000)	602,617
Vehicles	<u>5,330,661</u>	<u>2,376,371</u>	<u>(25,000)</u>	<u>7,682,032</u>
Total capital assets being depreciated	<u>9,999,618</u>	<u>2,609,321</u>	<u>(85,000)</u>	<u>12,523,939</u>
Accumulated depreciation:				
Buildings and improvements	(494,643)	(192,233)	-	(686,876)
Equipment	(112,180)	(84,909)	60,000	(137,089)
Vehicles	<u>(1,364,381)</u>	<u>(547,628)</u>	<u>25,000</u>	<u>(1,887,009)</u>
Total accumulated depreciation	<u>(1,971,204)</u>	<u>(824,770)</u>	<u>85,000</u>	<u>(2,710,974)</u>
Net depreciable capital assets	<u>8,028,414</u>	<u>1,784,551</u>	<u>-</u>	<u>9,812,965</u>
Net capital assets	\$ <u>9,204,244</u>	<u>4,751,851</u>	<u>-</u>	<u>13,956,095</u>

Depreciation expense was charged directly to operations.

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Financial Statements**  
December 31, 2010

Note 5 - Long-Term Liabilities

At December 31, 2010, the District had no outstanding long-term notes or bonds payable. The only long-term liability related to compensated absences. During the year, the District accrued approximately \$121,000 for compensated absences and related benefits, reduced the balance by approximately \$67,000 for benefits used, which resulted in a remaining balance of \$137,000. Of this amount, \$70,000 was considered to be due within one year.

Note 6 - Pension Plan

The District's pension plan complies with a federal law that requires the District to preserve and continue employee benefits, including pensions. For this purpose, the District established a defined contribution pension plan administered by a private third-party. The plan is designed to meet the legal requirements of the federal government and state law. The plan covers all employees of the District and the minimum contribution percentage is mandated by federal law. The plan allows the participants to direct the investment of their balance. The participant's benefit is limited to the balance of their account and subject to federal government regulations.

During the year, the District contributed \$342,811 to the plan. The employees contributed \$128,340 to the plan.

Note 7 - Fund Balance

The District has assigned a portion of fund balance as follows:

Fiscal Year 2011 budget	\$ 348,000
Future capital improvements	<u>1,152,000</u>
Total assigned fund balance	\$ <u>1,500,000</u>

Note 8 - Subsequent Events/Commitments

The District has ordered a large hybrid bus to be delivered in the fall of 2011. The approximate cost of the bus is \$595,000. Approximately 80% of the cost of the bus is funded by a federal grant that was awarded to the District.

## REQUIRED SUPPLEMENTARY INFORMATION

# CACHE VALLEY TRANSIT DISTRICT

## Budgetary Comparison Schedule

For the Year Ended December 31, 2010

		General Fund			
		Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:					
Taxes	\$	3,020,000	3,020,000	3,130,677	110,677
Federal and state grants		6,618,000	6,618,000	6,446,703	(171,297)
Charges for services		108,000	108,000	122,866	14,866
Investment earnings		12,000	12,000	9,057	(2,943)
Miscellaneous		-	-	40,503	40,503
Total revenues		9,758,000	9,758,000	9,749,806	(8,194)
Expenditures:					
Current:					
Operations		3,882,000	3,862,000	3,490,758	371,242
Preventative maintenance		657,000	657,000	555,410	101,590
Facilities maintenance		169,000	169,000	154,783	14,217
Capital outlay		5,570,000	5,590,000	5,576,621	13,379
Debt service:					
Interest		-	-	-	-
Total expenditures		10,278,000	10,278,000	9,777,572	500,428
Change in fund balance		(520,000)	(520,000)	(27,766)	492,234
Fund balance - beginning of the year				2,263,179	
Fund balance - end of the year		\$		2,235,413	



**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Required Supplementary Information**  
December 31, 2010

Note 1 - Budgetary Information

The District is required by State statute and the Uniform Fiscal Procedures Act for Special Districts to adopt an annual budget for the General Fund. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) for governmental funds.

The District adopts a preliminary budget at the November board meeting. A public hearing is held in December and the budget is adopted before December 31<sup>st</sup>. Copies of the proposed budget are made available for public inspection at least 10 days prior to the public hearing.

Budget amendments to increase or decrease overall expenditures are required to be subject to a public hearing and must be authorized by the Board. The District does not use encumbrances.

## COMPLIANCE REPORTS SECTION

**CACHE VALLEY TRANSIT DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2010

Federal grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grant Number	Program or Award Amount	Amount Expended
U.S. Department of Transportation (DOT)				
Direct:				
Federal Transit - Capital Investment Grants	20.500	UT-04-0014	\$ 328,737	\$ 186,108
Federal Transit - Capital Investment Grants	20.500	UT-04-0016	3,275,000	2,390,840
Federal Transit - Formula Grant	20.507	UT-90-X059	1,357,703	642,146
Federal Transit - Formula Grant	20.507	UT-90-X063	1,608,029	622,549
Federal Transit - Formula Grant - ARRA	20.507	UT-96-X001	1,388,584	1,248,542
Pass-through Utah State Department of Transportation:				
Formula Grants for Other Than Urbanized Areas	20.509	098087	256,052	132,442
Formula Grants for Other Than Urbanized Areas	20.509	108577	427,800	165,076
Other Than Urbanized Areas - ARRA	20.509	108191	1,311,000	<u>1,059,000</u>
Total DOT				<u>6,446,703</u>
Total expenditures of federal awards				<u>\$ 6,446,703</u>

**CACHE VALLEY TRANSIT DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2010

Note 1 - Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Note 2 - Significant Accounting Policies

*Basis of Accounting*

The information in the Schedule is presented in accordance with OMB Circular A-133. The schedule is prepared using the same accounting policies and basis of accounting as the fund financial statements in the basic financial statements.

*CFDA Numbers*

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal awards as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

*Major Programs*

OMB Circular A-133 establishes the levels of expenditures or expenses and other criteria to be used in defining major federal programs. The federal awards tested as major programs were CFDA numbers 20.500, 20.507 and 20.509.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Cache Valley Transit District  
Logan, UT

We have audited the financial statements of the governmental activities and each major fund of Cache Valley Transit District (the District) as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 07, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Trustees, others within the organization, federal awarding agencies and pass-through entities, and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jones Simkins, P.C.".

JONES SIMKINS, P.C.  
Logan, Utah  
April 07, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees  
Cache Valley Transit District  
Logan, Utah

Compliance

We have audited Cache Valley Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.



In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

#### Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.  
Logan, Utah  
April 07, 2011

**CACHE VALLEY TRANSIT DISTRICT**  
**Schedule of Findings and Questioned Costs**  
Year Ended December 31, 2010

A. Summary of Auditors' Results:

1.	Type of auditors' report issued	Unqualified
2.	Internal control over financial reporting:	
	Material weaknesses identified:	None
	Significant deficiencies identified that are not considered to be material weaknesses:	None
3.	Non-compliance material to financial statements noted:	None
4.	Internal control over major programs:	
	Material weaknesses identified:	None
	Significant deficiencies identified that are not considered to be material weaknesses:	None
5.	Type of auditors' report issued on compliance for major programs:	Unqualified
6.	Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	None
7.	Federal programs tested as major programs:	Federal Transit Cluster CFDA # 20.500 CFDA # 20.507  Formula Grants for Other Than Urbanized Areas CFDA # 20.509
8.	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
9.	Auditee qualification as high or low risk:	Low

**CACHE VALLEY TRANSIT DISTRICT**  
**Schedule of Findings and Questioned Costs**  
Year Ended December 31, 2010

- B. Findings related to the financial statements required to be reported in accordance with Government Auditing Standards

None

- C. Findings and questioned costs related to federal awards required to be reported in accordance with OMB Circular A-133

None

**CACHE VALLEY TRANSIT DISTRICT**  
**Summary Schedule of Prior Year Audit Findings**  
For the Year Ended December 31, 2010

There were no findings in the prior year.

**CACHE VALLEY TRANSIT DISTRICT**  
**Corrective Action Plan**  
For the Year Ended December 31, 2010

There were no findings for the December 31, 2010 audit.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Board of Trustees  
Cache Valley Transit District  
Logan, UT

We have audited the financial statements of the governmental activities and each major fund of the Cache Valley Transit District (the District) for the year ended December 31, 2010, and have issued our report thereon dated April 07, 2011. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Fund Balance Limitation

The District did not receive any major or nonmajor State grants during the year ended December 31, 2010.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the District's compliance with these requirements.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2010.

This report is intended solely for the information and use of management of the District and is not intended and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Jones Simkins, P.C.".

JONES SIMKINS, P.C.  
Logan, Utah  
April 07, 2011